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HART SCHAFFNER & MARX

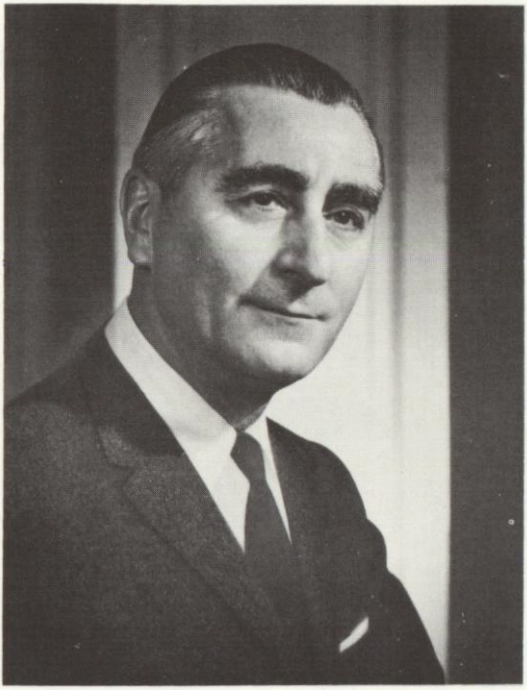
fiftieth annual report

November 30, 1960

IN MEMORIAM

MEYER
KESTNBAUM

1896-1960



Meyer Kestnbaum, who died on December 14, 1960 at the age of 64 years, served Hart Schaffner & Marx for more than thirty-nine years, for the last twenty as the President of the corporation.

His fellow Directors, by reason of their close business association with him, observed with approval the wise and imaginative leadership which he gave the enterprise over the years and the loyalty and dedication with which he served. He was possessed of the highest

standard of business conduct; he never sought unfair advantage, nor did he compromise in matters of principle. Few institutions are blessed with such exemplary leadership.

His fellow Directors, along with many others with whom he came in frequent contact, recognized a man endowed with a fine intellect which he exercised to the fullest. His interests ranged beyond commercial endeavors, especially in fields of higher education, social service and governmental economy, in all of which his talents were sought for counsel and in active participation.

It was in his mind to be useful to his fellow men; and his strenuous activities were rarely interrupted by diversions or illness. He was possessed of a passion to serve which he did with energy and modesty. He sat in the councils of those who govern and accepted assignments of state which he discharged with distinction. He was a fine citizen, in his local community and in the nation. He was versatile and found himself at home in literature, art, music, philosophy, religion and ethics, a man deeply read, a man of culture.

His fellow Directors contemplate with sadness the loss of personal association with him, the delights of his companionship, the pleasure of his humor and the warmth of his kindness. They will cherish his memory with admiration and affection.

Memorial Resolution adopted by the Board of Directors of Hart Schaffner & Marx.

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BOARD OF DIRECTORS

EUGENE BASHORE
J. S. GORE
JOHN D. GRAY
WALTER M. HEYMANN
JOSEPH HALLE SCHAFFNER
JOEL SPITZ
CLAY E. STEELE
HARRY L. WELLS

OFFICERS

JOHN D. GRAY
President

CLAY E. STEELE
Senior Vice-President

BERNARD A. RITTERSPORN
Vice-President

MARIO CIUCCI
Vice-President

J. S. GORE
Vice-President

HAROLD R. ELLMAN
Vice-President

JOSEPH CURI
Vice-President

L. G. JOHNSON
2nd Vice-President

R. W. GARBE
Secretary & Comptroller

B. T. RODGERS
Treasurer

CHICAGO OFFICES

36 South Franklin Street
Chicago 6, Illinois

NEW YORK OFFICES

200 Fifth Avenue
New York 10, New York

TRANSFER AGENTS

The First National Bank of Chicago
Chicago 90, Illinois

Bankers Trust Company
New York 15, N. Y.

REGISTRARS

Continental Illinois National Bank and Trust Company of Chicago
Chicago 90, Illinois

Chemical Bank New York Trust Company
New York 15, N. Y.

FINANCIAL HIGHLIGHTS

	Year Ended November 30		
	1960	1959*	1958*
Net sales & operating revenue	$89,905,229	$83,141,773	$76,148,541
Income before income taxes	4,985,607	5,260,944	3,202,330
Percent of sales	5.5%	6.3%	4.2%
Net income	2,288,002	2,810,796	1,826,864
Percent of sales	2.5%	3.4%	2.4%
Disposition of net income:			
Common dividends paid	1,011,132	829,545	700,196
Earnings retained in company	1,276,870	1,981,251	1,126,668
Earnings per share	2.58	3.25	2.09
Dividends per share	1.15	.95	.80
Net working capital	30,408,115	29,779,788	28,138,802
Ratio of current assets to current liabilities	2.6	3.4	4.0
Expenditures for plant & equipment	1,877,501	791,569	406,648
Depreciation & amortization	1,171,188	1,165,630	1,182,577
Long-term debt	6,349,992	6,869,498	7,252,679
Shareholders investment	35,460,736	33,923,568	32,267,399
Shares outstanding at the end of the year	886,195	433,128½	437,622½
Book value per share	40.01	39.16	36.87
Number of employees	7500	7500	6700
Number of shareholders	2188	1936	1962

*Per share figures have been adjusted for two-for-one stock split on March 31, 1960.

PRESIDENT'S LETTER

March 3, 1961

To Our Stockholders:

The operating results of your company for the year ended November 30, 1960 are given in the accompanying financial report. It was a year during the early part of which the national economy was on the increase and during the latter part was declining. Our own results reflected these trends. Many companies have reported increased sales, but lower profits. Our sales reached an all-time high but our earnings, which had increased in the first six months, decreased for the year as a whole.

Consolidated sales were $89,905,229, an increase of 8.1% over the $83,141,773 reported for fiscal 1959. After adjustment for the two-for-one stock split approved by the shareholders at the annual meeting a year ago, per share earnings were $2.58 as compared with $3.25 for the previous fiscal year. As such they were the third highest in the past decade. Dividends are at a current annual rate of $1.20 per share as compared with 95¢ per share paid in 1959 and 80¢ in 1958.

Sales increased in the manufacturing division during the year but profits were affected by higher operating costs which included a general industry-wide wage increase. The volume of the retail stores also increased, partly as the result of opening seven new branch stores in important shopping centers and the acquisition of six new retail outlets. Both profits and sales in the retail stores were affected by the lower level of general business in the latter part of the year.

Your company now operates retail stores in thirty-seven metropolitan areas throughout the country. Plans have been made for four additional branch stores in major shopping centers, one to be opened this year and the other three in 1962. Our associated stores not only serve as important outlets for garments made in our manufacturing division but also contribute substantially to earnings. Moreover, the experience gained over a long period of time in the successful operation of these stores is invaluable in helping us to serve the needs of our independent dealers who distribute the larger part of our production.

We are especially proud of our independent retail distributors. Together with our own retail stores they comprise the finest group of quality stores in the country. Our business with them has increased notably during the past few years and we

look forward to continuing improvement in the years ahead, primarily because of the constantly broadening market for the high quality clothes in which we specialize.

It is interesting to note that this year marks the 50th anniversary of uninterrupted labor peace with the Amalgamated Clothing Workers of America. This long history of amicable relationship, unmarred by strike or lockout, is one of the oldest continuous labor agreements in this country and has helped to set a pattern for other industries.

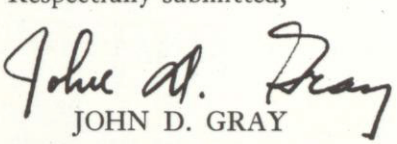
Bank credit was used extensively during the year to help finance the higher level of inventories and accounts receivable. However, by January 1961, bank loans shown on our report as $9,000,000 at the end of our fiscal year had been reduced by $3,000,000 to $6,000,000. Investments in fixed assets were largely offset by depreciation and amortization charges.

The requirements of new retail stores, higher unit prices and lower retail sales in the fall season resulted in an increase in inventories. However, these inventories, as of January 31, 1961, had been reduced substantially below the November 30, 1960 levels, both in the parent company and in our retail stores. Moreover, the decrease was greater than the seasonal reduction that would normally occur in this period.

There are many estimates as to how long the present recession will last. The consensus of informed opinion is that it will continue for at least the first six months of the year. Our own business, naturally, is affected by general conditions but we are confident that increased efficiencies, plus our unusual combination of strength in both manufacturing and retail fields, will enable us to produce satisfactory results in 1961.

It is difficult to find words adequate to honor Meyer Kestnbaum, President of this company, who died on December 14, 1960. The memorial resolution adopted by the Board of Directors, a copy of which is enclosed, represents their best efforts to pay fitting tribute to a remarkable man. His memory will continue to be an inspiration to us all.

Respectfully submitted,



JOHN D. GRAY
President

HART SCHAFFNER & MARX AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

ASSETS	November 30 1960	November 30 1959
CURRENT ASSETS:		
Cash	$ 2,869,095	$ 3,154,298
Notes and accounts receivable:		
Trade, less allowance for doubtful balances and discounts	13,541,066	12,705,425
Other	561,878	426,626
Inventories:		
Factory inventories at cost or market, whichever is lower for current season's goods and estimated realizable value for past seasons' goods; retail stores' inventories at cost or market, whichever is lower	31,079,525	25,146,578
Prepaid rentals, insurance, supplies, etc.	799,547	562,800
Total current assets	48,851,111	41,995,727
CASH VALUE OF LIFE INSURANCE, AND OTHER INVESTMENTS	389,170	372,517
PROPERTIES, at cost:		
Building, shop equipment, furniture and fixtures	14,283,533	13,058,239
Less—Accumulated depreciation	8,666,485	7,870,183
	5,617,048	5,188,056
Leasehold and leasehold improvements, less amortization	5,373,264	5,423,944
Land	107,000	107,000
	11,097,312	10,719,000
GOODWILL, TRADE NAMES AND TRADEMARKS	1	1
	$60,337,594	$53,087,245

LIABILITIES	November 30 1960	November 30 1959
CURRENT LIABILITIES:		
Notes payable	$ 9,000,000	$ 2,500,000
Current maturities of funded debt	511,332	511,332
Accounts payable:		
Trade	4,369,574	4,295,185
Other	1,490,760	1,615,927
Accrued salaries, wages and rents	1,236,201	1,146,226
Accrued taxes (other than taxes on income)	550,745	577,302
Federal and state taxes on income	1,284,384	1,569,967
Total current liabilities	18,442,996	12,215,939
FUNDED DEBT (less current maturities transferred to current liabilities):		
4½% note payable, due June 1, 1972	6,055,000	6,555,000
Advances and loans extending to 1977	294,992	314,498
	6,349,992	6,869,498
MINORITY STOCKHOLDERS' INTEREST	83,870	78,240
STOCKHOLDERS' EQUITY:		
Common stock	4,687,500	4,687,500
1960 / 1959		
Par value $5.00 / $10.00		
Shares authorized 2,000,000 / 750,000		
Shares issued 937,500 / 468,750		
Capital surplus	3,880,365	3,753,730
Earnings retained for use in the business:		
Appropriated for contingencies	700,000	700,000
Unappropriated, per accompanying statement	26,963,130	25,686,260
	36,230,995	34,827,490
Deduct—Treasury stock, at cost—51,305 ($5 par) and 35,621½ ($10 par) shares for the respective years	770,259	903,922
	35,460,736	33,923,568
	$60,337,594	$53,087,245

See notes to financial statements.

HART SCHAFFNER & MARX AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME AND UNAPPROPRIATED RETAINED EARNINGS

	For the Fiscal Years Ended November 30	
	1960	1959
Net sales and operating revenues	$89,905,229	$83,141,773
Dividends from sundry investments, interest and other income	344,204	305,988
Total	90,249,433	83,447,761
Less:		
Cost of goods sold and occupancy expense (exclusive of depreciation and amortization)	61,923,975	57,477,379
Depreciation and amortization	1,171,188	1,165,630
Selling, general and administrative expenses	21,527,588	19,130,874
Interest paid	635,445	406,138
Minority interest in net profits of subsidiaries	5,630	6,796
	85,263,826	78,186,817
Income before deducting provision for taxes	4,985,607	5,260,944
Provision for taxes on income:		
Federal income taxes	2,606,163	2,367,359
State income taxes	91,442	82,789
	2,697,605	2,450,148
Net income for the year	2,288,002	2,810,796
Earnings retained for use in the business at beginning of year	25,686,260	23,705,009
	27,974,262	26,515,805
Dividends paid in cash—(adjusted for two-for-one stock split on March 31, 1960):		
$1.15 per share in 1960		
$.95 per share in 1959	1,011,132	829,545
Earnings retained for use in the business at the end of year	$26,963,130	$25,686,260

See notes to financial statements.

REPORT OF ACCOUNTANTS

To the Stockholders and Board of Directors of Hart Schaffner & Marx

In our opinion, the accompanying statements present fairly the consolidated financial position of Hart Schaffner & Marx and its subsidiaries at November 30, 1960, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & Co.

Chicago, Illinois
January 18, 1961

NOTES TO FINANCIAL STATEMENTS

Under the terms of the agreement relating to the 4½% note payable, due June 1, 1972, $21,989,414 of the total consolidated unappropriated retained earnings at November 30, 1960 is restricted as to the payment of cash dividends.

As at November 30, 1960 the company and its subsidiaries occupied properties under ninety-two lease agreements with terms expiring from one to thirty-seven years after that date, and requiring a minimum rental payment of approximately $2,500,000 for 1961. Certain of the leases provide for payment of taxes by the lessees and additional rental based upon a percentage of sales in excess of stipulated minimums.

Under a restricted stock option plan approved by the board of directors, 50,301 shares of stock held in the treasury are reserved for options granted or to be granted to officers and key employees. The changes in the outstanding options during the year were as follows:

	Option data adjusted for 2-for-1 stock split on March 31, 1960			
		Date of grant		
	Total	February 21, 1956	January 20, 1959	December 14, 1959
Shares under option—				
November 30, 1959	41,708	26,108	15,600	
Options granted during year	20,300			20,300
	62,008	26,108	15,600	20,300
Less—Options exercised	20,938	20,838	100	
Shares under option—				
November 30, 1960	41,070*	5,270	15,500	20,300
Option price per share		$13.30	$18.1875	$26.25

Options on 9,070 of the 41,070 shares under option at November 30, 1960 were exercisable at that date.

*Options on 15,000 shares terminated subsequent to November 30, 1960.

20 YEAR
FINANCIAL SUMMARY

FINANCIAL POSITION

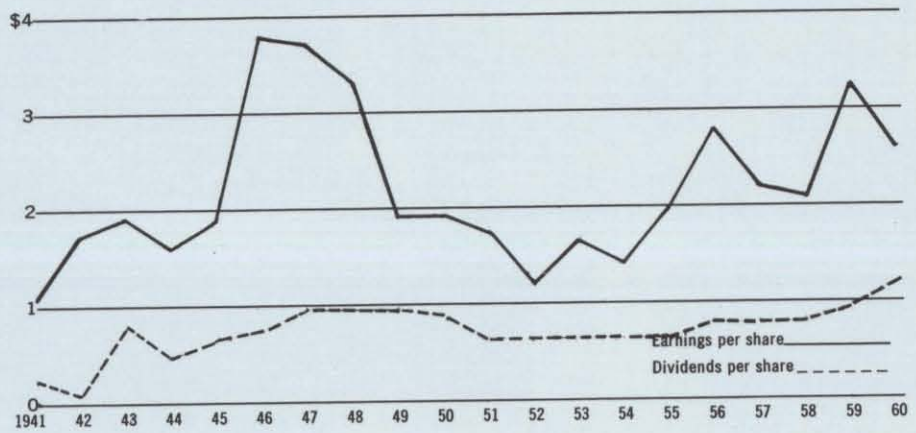
Year Ended Nov. 30	Net Working Capital	Properties At Cost Less Depreciation & Amortization	Long Term Debt	Minority Interest in Subsidiaries	Shareholders Investment	
					Total	Per Share
1960	$30,408,115	$11,097,312	$6,349,992	$ 83,870	$35,460,736	$40.01
1959	29,779,788	10,719,000	6,869,498	78,240	33,923,568	39.16
1958	28,138,802	11,122,935	7,252,679	92,568	32,267,399	36.87
1957	24,825,760	11,931,645	6,260,088	86,103	31,140,731	35.58
1956	23,287,066	11,903,057	5,467,341	149,383	29,927,540	34.20
1955	22,981,411	11,232,581	6,223,994	130,822	28,129,689	32.14
1954	22,522,946	11,307,028	7,040,689	125,714	26,952,079	30.80
1953	20,005,502	11,336,157	5,207,121	132,684	26,280,108	30.03
1952	19,096,671	12,038,940	5,903,301	125,019	25,415,675	29.04
1951	18,479,774	11,902,302	6,139,240	128,570	24,387,368	27.87
1950	18,227,785	11,357,234	6,724,936	65,126	23,509,594	26.86
1949	18,933,654	10,032,562	7,115,000	103,042	22,620,580	25.85
1948	17,944,654	8,385,328	5,600,000	99,893	21,832,952	24.63
1947	13,031,597	5,547,903	—	91,981	19,756,218	22.29
1946	13,762,937	2,604,087	—	55,360	17,580,661	19.39
1945	12,591,380	1,292,600	—	32,451	14,528,053	16.51
1944	12,260,509	1,033,227	—	41,783	13,451,445	15.13
1943	11,184,408	1,063,422	—	33,046	12,385,788	13.94
1942	9,641,761	1,258,644	—	41,023	11,004,732	12.82
1941	8,135,324	1,276,510	—	106,740	9,453,076	10.67

SALES EARNINGS DIVIDENDS

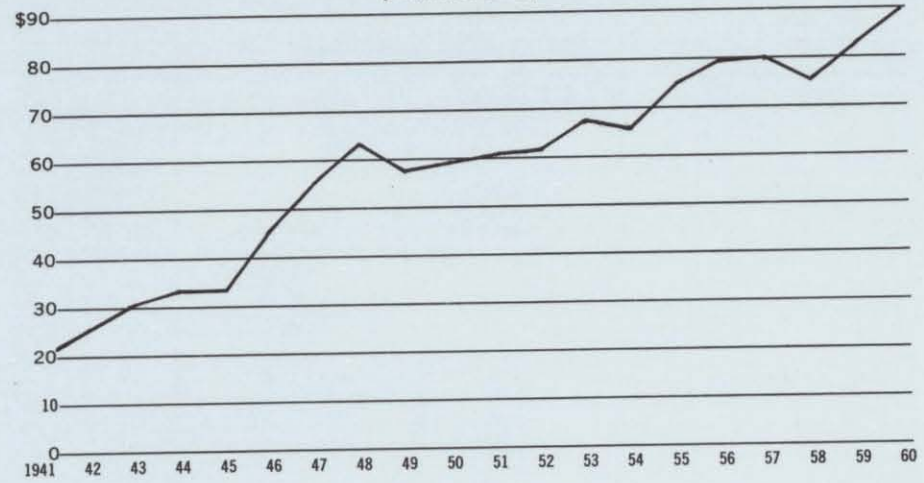
Year Ended Nov. 30	Net Sales and Operating Revenues	Income Before Federal and State Income Taxes	Net Income	Earnings Per Share	Cash Dividends Per Share
1960	$89,905,229	$4,985,607	$2,288,002	$2.58	$1.15
1959	83,141,773	5,260,944	2,810,796	3.25	.95
1958	76,148,541	3,202,330	1,826,864	2.09	.80
1957	80,812,061	3,397,070	1,894,684	2.17	.80
1956	79,531,828	4,313,875	2,457,831	2.81	.80
1955	74,771,105	3,796,889	1,736,352	1.99	.64
1954	66,575,717	2,689,271	1,228,566	1.41	.64
1953	68,866,677	3,041,676	1,425,196	1.63	.64
1952	62,263,140	1,860,135	1,035,420	1.19	.64
1951	61,672,439	3,265,657	1,518,752	1.74	.64
1950	59,257,388	2,909,342	1,647,733	1.89	.88
1949	57,773,088	2,592,401	1,638,746	1.87	.96
1948	63,037,888	4,969,943	2,927,852	3.31	.96
1947	56,527,917	5,595,999	3,284,384	3.71	.96
1946	45,808,460	5,683,005	3,423,126	3.78	.72
1945	33,805,246	3,932,462	1,645,860	1.85	.64
1944	33,814,118	3,278,215	1,392,596	1.57	.48
1943	31,174,114	3,381,297	1,631,319	1.84	.80
1942	26,390,109	2,615,003	1,437,529	1.68	.08
1941	22,004,580	1,239,102	895,173	1.01	.24

All per share figures are based on stock outstanding at end of each year adjusted to reflect a 2½ for 1 split on March 17, 1944, a 25% stock dividend on April 3, 1956, and a 2 for 1 split on March 31, 1960.

EARNINGS AND DIVIDENDS PER SHARE



NET SALES
(In Millions of Dollars)



SHAREHOLDERS INVESTMENT PER SHARE

